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*House Subcommittee Testimony on Royalty Relief*  
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Thank you Chairman Issa, Ranking Member Watson, and members of the Committee. My name is Tim Cejka and I am the president of ExxonMobil Exploration Company, located in Houston, Texas. I am pleased to appear before you today.

Energy continues to be a topic on many Americans' minds, particularly as we move into the summer driving season. We know that your constituents need reliable supplies of affordable energy not only to fuel their vehicles, but also to run their businesses and perform other activities to help them go about their daily lives. We understand and share their concern and interest regarding energy supply so we welcome this opportunity to respond to your questions.

With respect to the Committee's specific issue of discussion today - the 1998 and 1999 OCS lease sales and how they were impacted by the Deep Water Royalty Relief Act - I would like to begin with an overview of the MMS leasing process.

As you are aware, the MMS issues leases on Federal offshore lands for oil & gas exploration and development under the Outer Continental Shelf Lands Act as well as regulations issued to implement that law. All leases issued are subject to the law and the regulations. Before each lease sale, the MMS, after an extensive review process,

of lease agreements enhanced the potential reward to the risk taker, if commercial volumes of hydrocarbons are discovered...something we have yet to do.

As a result of the MMS policy and the Deep Water Royalty Relief Act, industry has drilled about 50 wildcat wells on 1998 and 1999 leases resulting in 15 commercial discoveries that will ultimately produce about 1.5 billion oil equivalent barrels according to industry analysts Wood Mackenzie.

The more fundamental issues underlying the question before the subcommittee today are the **Rule of Law** and the **Issue of Contract Sanctity**. First, ExxonMobil adheres to all applicable laws and regulations with respect to the lease agreements we enter into with the government.

Second, in the United States and in all countries where ExxonMobil operates, the issue of Contract Sanctity is critical to our business decisions. Any change of prior year lease terms and conditions would indicate that the United States government does not place a high value on Contract Sanctity. If this value is undermined here, it would have a deleterious impact on the investment climate in the United States.

Since we originally acquired the rights to these 159 leases, we have formed ventures with several companies and it is unimaginable that we could have to go back to co-venturers and say our government has changed the terms. Confidence in the stability of fiscal

Revenues Stewardship award twice since 2003. The Mineral Revenues Stewardship award recognizes companies with outstanding records for low error rates, timely payment, and responsiveness to compliance and enforcement requests and orders.

Thank you for your time and consideration in conducting these hearings.

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